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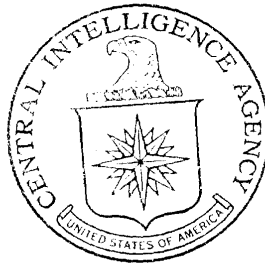
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# CURRENT INTELLIGENCE WEEKLY SUMMARY

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CONFIDENTIAL

## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

## THE WEEK IN BRIEF

## PART I

OF IMMEDIATE INTEREST

## ARAB-ISRAELI SITUATION . . . . . Page 1

Arab and Israeli diplomatic attention is focused on the resolution now before the UN Security Council. Reactions to the resolution from both sides have been unfavorable. The Arabs have obtained a delay in Security Council consideration of the resolution which calls for an inspection trip by the UN secretary general.

[REDACTED]

## THE LONDON DISARMAMENT TALKS . . . . . Page 1

The disarmament plan submitted by Soviet delegate Gromyko at the UN Disarmament Subcommittee meeting on 27 March contains elements of both the Anglo-French "working paper" and the American proposals for limited "confidence-building" measures. While the proposal also draws on the Soviet plan of 10 May 1955, it omits earlier demands for the prohibition and destruction of nuclear weapons. However, Moscow's position on inspection and control remains unchanged. In contrast to last May's proposal, wide latitude is left for negotiations, apparently in the hope of exploiting any divergences among the Western powers.

[REDACTED]

COMMUNISTS PUBLISH LINE  
FOR ATTACK ON STALIN . . . . . Page 3

The division of Stalin's career into two phases, as in the official newspapers of the Soviet and Polish Communist Parties, makes it possible for the Soviet leaders to dissociate themselves from the excesses of the purge era without cutting the ground out from under their own Stalinist industrial and agricultural policies. Two of the principal objectives of the campaign appear to be the revitalization of the bureaucracy and the discrediting of the one-man rule concept.

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CONFIDENTIAL

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

MIKOYAN IN PAKISTAN AND INDIA . . . . . Page 4

Mikoyan's visit to Karachi and statements by Soviet leaders in Moscow are further steps in the Soviet Union's campaign to pry Pakistan away from its political and economic ties with the West. His meeting with Prime Minister Nehru on 26 March came shortly after Nehru had termed the developments at the recent Soviet party congress a "welcome change." [REDACTED]

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FRENCH NORTH AFRICA . . . . . Page 6

Terrorism continues throughout widely scattered regions of Algeria. The Moroccan government has taken over defense and security functions from the French, and its position has been strengthened by the apparent ending of the Rif rebellion. However, Moroccan resistance leaders reportedly plan to resume fighting if French troops now in Morocco are transferred to Algeria. In Tunisia, victory of the National Front in the 25 March election has placed moderate, Western-oriented leaders in the forefront of future negotiations with the French.

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## PART II

NOTES AND COMMENTS

Jordan Moving Toward Egyptian Camp: The trend in Jordan is toward closer ties with Egypt, Syria and Saudi Arabia, and more distant relations with Iraq and Britain. [REDACTED]

Page 1

25X1

Yugoslav Reaction to Developments in the USSR: The Yugoslavs regard the Soviet leadership's attack on Stalin as an outright condemnation of the earlier Soviet policy toward Yugoslavia and expect further broad changes in both Soviet internal and foreign policy. This view will tend to lead Yugoslavia to develop closer relations with the Soviet bloc, although there may be some moderation of this attitude if the pace of change, particularly in the Satellites, does not continue as the Yugoslavs hope. [REDACTED]

Page 2 25X1

**SECRET**

ii

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

29 March 1956

Prospects for the Mollet Government: Many political observers, including the American embassy in Paris, believe that Premier Mollet's government can remain in power until autumn unless the French position in Algeria collapses. Conflict on economic and social policy is beginning to appear, however, between the Socialist and Radical Socialist members of the coalition. [REDACTED] . . . . .

Page 4

West German Rearmament Lagging: There seems little prospect that the West German arms build-up can be achieved in the three to four years originally planned. With a national election scheduled for 1957, political opposition to conscription seems to be growing, and there has been a definite shift in official interest from the military aspect of NATO to the development of a political and economic program to check Soviet expansion. [REDACTED]

Page 5 25X1

New Aircraft Industry for East Germany: Party boss Walter Ulbricht announced on 24 March that East Germany had just assembled its first civil transport aircraft. Development of an East German aircraft industry began in 1953, was interrupted after the June riots, and was not resumed until early 1954. East Germany will probably concentrate on civil aircraft, but may eventually produce military types in support of the newly formalized armed forces. [REDACTED] . . . . .

Page 6

Sino-Soviet Bloc Sets Up Joint Nuclear Research Institute: Political and scientific delegates from eleven Sino-Soviet bloc countries--all except North Vietnam--met in Moscow from 20 to 26 March and organized a new Joint Nuclear Physics Research Institute. The Soviet Union has announced that it will make available for inclusion in the new institute two of its most important nuclear research facilities. [REDACTED] . . . . .

Page 7

Shanghai Shipyards Building Naval Vessels: The naval construction program at Shanghai, undertaken with Soviet assistance and guidance, has progressed to the point where submarines and a destroyer-type vessel may be under construction in two separate yards. [REDACTED] . . . . .

Page 8

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

29 March 1956

Japanese Incensed by Soviet Fishing Restrictions: The announcement by the USSR on 21 March of a unilateral plan to restrict fishing in the seas north of Japan provoked an immediate adverse Japanese reaction. The Japanese consider the move a Soviet pressure tactic to force them to acquiesce to Moscow's terms for a peace treaty. Tokyo's apparent determination not to consider treaty concessions until the USSR offers a new compromise on the territorial problem has been strengthened by the Soviet move. However, powerful fishing interests may still influence Tokyo to soften its stand. [REDACTED] . . . .

Page 9 25X1

South Vietnam: The dissolution of the French High Command in Indochina may be imminent. The unwillingness of the South Vietnamese legally to assume France's responsibility for the cease-fire agreement leaves undetermined the future administration of the armistice in Vietnam. The British are trying to persuade the Diem government to commit itself to de facto compliance in order that a modus vivendi may be worked out. [REDACTED] . . . .

Page 11

The Philippines: Philippine congressional and press circles, encouraged by local business interests, are expressing increasing criticism of American policies. [REDACTED]

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Page 13 25X1

Growing Tension in Bolivia: The Bolivian government's declaration of a general alert in early March indicates its increasing concern over reports that exile groups, aided by dissidents in the army, are planning a coup. The government can probably contain any revolutionary attempts by the poorly organized opposition. [REDACTED] . . . .

Page 14

**SECRET**

iv

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

29 March 1956

**PART III****PATTERNS AND PERSPECTIVES**

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**THE TREND AWAY FROM ARMS STANDARDIZATION IN LATIN AMERICA** . . . . .

Page 5

The progress of arms standardization in Latin America, long an important policy objective of the United States, has been seriously challenged in recent years by substantial Latin American purchases of air force and navy equipment from Western Europe. In recent months, the Soviet bloc has attempted to exploit the Latin American arms market as one facet of its intensified activities in the area. [REDACTED]

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**ICELAND'S GROWING DEPENDENCE ON SOVIET BLOC TRADE** . . .

Page 9

During the past three years, Iceland's foreign trade has been increasingly oriented toward the Soviet bloc, and in 1955, the USSR replaced the United States as Iceland's leading market. Political repercussions of these developments may begin to appear in the June parliamentary elections, which will involve such issues as the island's growing economic difficulties and the status of the American-manned NATO air base at Keflavik. [REDACTED]

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**INCREASED AUTHORITY OF SOVIET MILITARY COMMANDERS** . . .

Page 11

The USSR has in recent years revised its approach to maintaining the political reliability of the officers and men in the armed forces. As the number of party members among unit commanders has increased and the level of political indoctrination has risen, the authority of the commanders has been strengthened and that of political officers reduced. This policy, of which Defense Minister Zhukov has long been an outspoken advocate, is reflected in the selection of professional rather than political officers to represent the military on the newly elected party central committee and in recent high-level promotions, which have favored the professional soldier. [REDACTED]

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**29 March 1956**



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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

## PART I

OF IMMEDIATE INTEREST

## ARAB-ISRAELI SITUATION

Arab and Israeli diplomatic attention is focused on the resolution now before the UN Security Council. Reactions to the resolution from both sides have been unfavorable. The Arabs have obtained a delay in Security Council consideration of the resolution, which calls for an inspection trip by the UN secretary general.

The Israelis, while they have gone along with Western suggestions regarding the Security Council proposals, have made it clear they expect nothing useful to emerge from the UN and regard the submission of the resolution as a device to postpone a decision on their request for arms from the West.

Israeli military preparations are being steadily stepped up. Very large concentrations of troops and equipment were observed last week in the Negev area around Beersheba. An Israeli Foreign Ministry official has stated that the economic dislocation resulting

from a full war economy will be felt in Israel soon.

The general Arab attitude appears to be one of intense suspicion of any Western initiative at this time. The Arabs seem anxious to give the impression that the USSR will support their interests. So far the USSR's performance appears to have justified Arab hopes. Soviet UN delegate Sobolev supported the Arabs' demand that they be allowed to speak in the Security Council meeting, and also backed the Arab request for postponement of consideration of the American proposal.

The Egyptian press has termed the American proposal a symptom of confusion among the British, French, and Americans, as well as an admission that these powers have tacitly admitted they are no longer the sole arbiters of the Near East.

There has been no significant shift in Arab military dispositions.

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## THE LONDON DISARMAMENT TALKS

Soviet delegate Gromyko, after bluntly rejecting the Anglo-French proposal at the 27 March meeting in London of the UN Disarmament Subcommittee, submitted a plan apparently

intended as the USSR's "synthesis" of the varying approaches of the subcommittee members to the disarmament problem. The plan contains elements of both the Anglo-French "working paper"

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

and the American proposals for limited "confidence-building" measures and draws as well from the original Soviet plan of 10 May 1955. In contrast to that plan, the new proposal leaves wide latitude for negotiations by which Moscow probably hopes to sharpen any divergences among the Western powers.

The Soviet proposal departed most significantly from the 10 May plan in that it fails to provide for the prohibition and destruction of nuclear weapons. It concentrates on conventional armaments and armed forces. The preamble of the plan maintains that it would assist in reaching an "indispensable" agreement on banning nuclear weapons, but the plan itself calls only for a reduction of conventional armaments and armed forces.

As outlined by Gromyko, the first stage of the three-year plan provides for a freeze on conventional armaments, armed forces and military budgets at the level of 31 December 1955, the freeze to be accomplished in three months. The powers would then begin to reduce their conventional armaments to a degree "commensurate with the level of armed forces" envisaged in the Anglo-French and Soviet proposals of May 1955--1,000,000 to 1,500,000 men for the United States, the USSR, and China; 650,000 for Britain and France. The rate of annual reductions is to be the subject of a supplementary agreement.

The new Soviet plan does not alter Moscow's position on the cardinal problem of inspection and control. It provides for an international control organ and ground-control posts, and also for examination at a

later date of the question of using aerial photography "as one of the methods of control."

Gromyko also proposed the establishment in Europe of a "zone of limitation and inspection of armaments" to include both parts of Germany "as well as their neighboring states." Nuclear weapons would be prohibited and foreign military forces would be limited in this zone.

Moscow probably expects that its plan will be unacceptable to the Western powers. This is suggested by Gromyko's proposal at the end of his speech that independent of reaching any disarmament agreement, the powers should adopt the three "partial measures" outlined by Khrushchev in his speech to the Soviet 20th Party Congress. These were immediate cessation of thermonuclear weapons tests, prohibition of atomic weapons on German territory, and a 15-percent reduction in military budget allocations.

The British and French delegates have attempted throughout the subcommittee meetings to minimize any difference between their joint plan and the American position.

French delegate Jules Moch presented the British-French plan at the opening meeting of the subcommittee on 19 March in the form of a "working paper," thus indicating that the French position on disarmament is not so rigid as had been supposed. Moch's subsequent statements in the subcommittee, while reflecting his preoccupation with bridging the gap between East and West on disarmament, have been restrained. Moch believes the Soviet proposal represents a

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

marked change in the Soviet position. He is particularly concerned over the fact that the USSR separated nuclear from conventional disarmament, apparently in order to continue the nuclear armaments race while implementing conventional reductions.

British delegate Anthony Nutting, in noting that the Soviet plan does not address itself to control of nuclear production, weapons, or materials, described the proposal as "mystifying and disappointing," and a retreat from the earlier Soviet position.

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COMMUNISTS PUBLISH LINE  
FOR ATTACK ON STALIN

On 27 and 28 March, Pravda, the organ of the Soviet Communist Party, and its Polish counterpart, Trybuna Ludu, publicly aired for the first time the Soviet regime's indictment of Stalin. The two long editorials, which provide an official explanation of the reasons behind the anti-Stalin drive, presumably lay down an authoritative line for domestic and foreign Communists.

Both newspapers take the same tack, but of the two, the Polish organ provides a fuller statement of particulars and deals more candidly with the questions raised by deflation of the Stalin myth.

Like Pravda, Trybuna Ludu divides Stalin's career into two phases. In the first decade after the Revolution, it asserts, there was still a degree of collectivity in the Soviet party and Stalin made genuine contributions to the consolidation and development of the Soviet system. He was successful in dealing with serious heresies within the party and in launching the five year plans and agricultural collectivization, but these very achievements brought him great prestige and and popularity. Building on

these he consciously created the "cult of the individual."

Thereafter, from the early thirties onward, Stalin's rule was a prolonged aberration which produced "profound distortions, damage and crimes." As Stalin's self-adulation grew, he began to ignore the collective will of the party and to rely more and more on the state security organs for support. His "morbid suspiciousness and his growing despotism," caused him, in effect, to put the Soviet government at war against the nation. He came to identify disagreement with espionage and sabotage and many "honest people" were made victims of his repression.

Where were the other leaders of the Soviet party in the meantime, Trybuna Ludu asks. It answers that at the outset Stalin's real abilities were needed and the dangers of his domination were not yet apparent. Later, when the USSR became embattled by foreign enemies, opposition to Stalin would have risked the destruction of the Soviet state. After that, "under conditions of fanaticism and terror against any attempt at opposition...how could a struggle against the cult of Stalin be real and effective?"

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

The line now laid down attempts to lift the onus of Stalin's extremism from his successors. In order not to cut the ground out from under its own Stalinist industrial and agricultural policies and in order to explain why the party entrusted power to Stalin originally, when it still had a choice, the present regime has stopped short of complete repudiation of Stalin's record.

The indictment of Stalin admits frankly that under the influence of police terror and the myth of his infallibility, "petrification" and unthinking subservience became widespread in all areas of Soviet life and are now acting as a brake on progress. It is probable, therefore, that a real need to stimulate broader initiative at all levels and to encourage honest competence in the

governing apparatus is an important factor in the deglorification of Stalin.

The campaign is also designed, according to the Pravda editorial, "to preclude any possibility of a revival of the cult of the individual in one or another form,"--that is, to prevent re-establishment of one-man dictatorship.

The charges so far set forth against Stalin follow the general line reportedly taken by Khrushchev at a secret session of the 20th Party Congress, but are less complete. The campaign is "a big and difficult job," the Pravda editorial asserts, and "there is no place for hurry or haste." A fuller but gradual elaboration of Stalin's "crimes" can therefore be expected.

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## MIKOYAN IN PAKISTAN AND INDIA

Pakistan

Mikoyan's visit to Karachi and statements by Soviet leaders in Moscow are further steps in the Soviet campaign to pry Pakistan away from its political and economic ties with the West. Mikoyan took advantage of Pakistan's Republic Day celebration on 23 March to salute Pakistani independence as potentially expanding the "zone of peace." He suggested that Pakistan should replace its membership in the Baghdad pact and SEATO with adherence to the "five principles."

In a meeting with Prime Minister Chaudry Mohamad Ali,

Mikoyan strongly attacked the Baghdad pact and SEATO, and said that the USSR was determined to maintain the "neutrality" of Afghanistan. He spoke confidently of Soviet strength, emphasizing that the USSR feared no power or combination of powers and that the USSR was determined "to break" the pacts directed against it. Mikoyan apparently has made it clear, however, that Pakistan's withdrawal from its Western commitments is not an essential condition for Soviet assistance and friendship.

Mikoyan, Prime Minister Ali and the Pakistani minister

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

29 March 1956

of commerce reportedly had long discussions on trade, but Mikoyan apparently made no specific offers. A Soviet delegation of trade specialists is scheduled to arrive in Pakistan shortly, and any specific offers probably will be made at that time.

Mikoyan's conversations in Karachi were supported in Moscow by Foreign Minister Molotov's hint that the USSR might be willing to construct a steel mill for Pakistan along the lines of the Soviet project in Bhilai, India. The Soviet press and radio have repeated Bulganin's 6 February offer of Soviet assistance in developing atomic energy for peaceful purposes.

Mikoyan indicated that Bulganin and Khrushchev would be pleased to come to Pakistan if invited. He side-stepped the more controversial aspects of the Kashmir question, and made no statements such as Bulganin and Khrushchev did in India last December directly favoring the Indian position.

Mikoyan apparently made a good impression on the Pakistanis. His invitation to the Pakistani parliament to send a delegation to the USSR this year reportedly was accepted. President Mirza has commented that "a change" has come over the Russians during the last two months--"They used to be very cold. Now they are very warm."

India

Mikoyan's three-hour meeting with Prime Minister Nehru on 26 March could scarcely have been better timed. Nehru has met with each of the Western

Big Three foreign ministers during the past three weeks. Nehru, more than any non-Communist leader, has emphasized his belief that the present Soviet regime is considerably different from the old. He termed the resolutions of the Soviet 20th Party Congress a "welcome change," and expressed the conviction that Moscow has abandoned the use of force as a means of expanding its influence.

Mikoyan is well qualified to convince Nehru that this thesis is correct. Mikoyan strongly attacked the "cult of the individual" during the recent Soviet party congress--a role probably appreciated by Nehru, who associates Stalin with the worst aspects of Communism.

Mikoyan presumably sought to expand Soviet trade and cultural ties with India during his meetings with the Indian president, vice president, and the ministers of commerce and industries, finance, education, home and natural resources. In view of recent Indian acceptance of the Soviet steel mill project at Bhilai, the USSR may try to find another "show project" to sponsor in India.

According to press reports from New Delhi on 28 March, Mikoyan has offered to train workers and supply equipment for an oil industry in India. He also said the USSR was willing to buy Indian goods and raw materials with money from Soviet goods sold to India "to avoid laying a burden on India's trade and payments balance."

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

Mikoyan was to leave New Delhi on 29 March for Rangoon via Calcutta. His subsequent itinerary includes North Vietnam, Communist China, and

Outer Mongolia. One unfirmed press report suggested that Mikoyan might also stop in Cambodia. (See Part III, p.1 for background information on Mikoyan.) [REDACTED]

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## FRENCH NORTH AFRICA

Algeria

Terrorism continues throughout widely scattered regions, and the rebels' strength may be increased as a result of developments in Morocco. However, the mayor of Algiers, Jacques Chevallier, believes the strong stand taken by French minister Robert Lacoste has carried him beyond the peak of tension and the chances of controlling the situation are improving. Lacoste, himself, recently told the American consul general in Algiers that the main danger of a massive outbreak in Algeria now lies with the settlers of European origin.

Lacoste indicated that he was firmly determined to curb the activities of the French rightists, and he achieved an initial success with the settler groups when he persuaded them to call off a strike of government employees which had been scheduled for 21 March.

Morocco

The Moroccan government has taken over defense and security functions from the French as provided for in the 2 March agreement with France, and its position has been strengthened by the apparent ending of the Rif rebellion.

On 22 March, the sultan appointed Ahmed Guedira as minister of national defense to organize a Moroccan army of 20,000 men. Creation of the Defense Ministry may have been rushed because of reports that many rebel leaders were recruiting heavily in the mountain areas in order to win high rank for themselves in the new national army. The appointment of Mohamed Laghzaoui to the security post is singularly unpalatable to France in view of his long record of uncompromising opposition.

The apparent ending of the Rif rebellion is likely to increase rebel strength in western Algeria. The Moroccan rebels will probably surrender only a token number of arms.

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[REDACTED] The sultan

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

29 March 1956

also strongly supported Algerian independence during the audience with Ambassador Dillon on 24 March.

Tunisia

The National Front's success in winning all 98 seats in constituent assembly elections of 25 March will permit moderate, Western-oriented followers of Habib Bourghiba to draft a Tunisian constitution and to play a larger role in further negotiations with France. The Communists

won slightly more than 1 percent of the vote. The appeal of extremist Salah ben Youssef for a boycott of the election seems to have had no appreciable effect on the balloting.

These elections may be considered a defeat for Egyptian influence.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

## PART II

PATTERNS AND PERSPECTIVESJordan Moving  
Toward Egyptian Camp

The trend in Jordan is toward closer ties with Egypt, Syria, and Saudi Arabia, and more distant relations with Iraq and Britain.

The precise nature of the understanding arrived at by the Jordanian and Syrian chiefs of staff during their meeting on 23 March is not known, although press reports from Damascus state that a "united-frontier agreement," ostensibly aimed at Israel, was signed.

The military staff meeting may have been held without the full approval of Jordan's King Hussain and possibly without that of Prime Minister Rifai. Rifai failed to meet with Syrian prime minister Ghazzi on 24 March, giving the excuse that he was to meet with Hussain at the time. Foreign Minister Khalidi, known for his strong nationalist and anti-British attitudes, took Rifai's place.

The Iraqi-Jordanian staff talks which were scheduled for last week did not take place. Jordanian army leaders reportedly claimed they were too busy with talks concerning the future status of British officers with the Arab Legion.

The maneuvers in Jordan appear to involve at least three principal groups. Hussain and his immediate supporters still seem to be trying to walk a tightrope between Egypt and Iraq. Rifai seems to be closer to the king's position

than to the pro-Egyptian position of the "Free Officers Movement," although he probably feels the need for more gestures toward Egypt than the king does. Rumors of Rifai's resignation are already circulating.

A second group is the conservative faction among the "Free Officers." This faction, headed by Colonel Hiyari, new commander of the Legion's first, and at present only, division, is reported favorably inclined toward Iraq and not unfriendly toward Britain. As divisional commander, Hiyari outranks many of the more extreme "Free Officers," but he could be put out of a job by a proposed reorganization of the Legion, which would eliminate the Legion's divisional command. Hiyari is, however, one of the army's "big three," who are reported to be meeting daily to decide new army assignments and policies. Another member of this triumvirate is Colonel Sadiq Shara, who under the regime of British general Glubb, reportedly was slated along with Hiyari for an important command post.

The third faction is the left wing of the "Free Officers," led by Lt. Col. Ali Nuwar, who is also the third member of the army's "big three." Nuwar's rise has been very rapid since Glubb's departure. From aide-de-camp to Hussain he has moved to brigade commander and this week to assistant chief of staff for operations. He

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

told Ambassador Mallory on 24 March, "anything is preferable to the intolerable degradation we have suffered at the hands of the West during the past eight years."

The recent events in Jordan suggest that among these factions the preponderance of strength is Nuwar's. The king appears to have little strength with the British going or gone, and the fillip given his waning popularity by his dismissal of Glubb is disappearing fast. Jordan's civilian politicians are notorious for their weakness; they never had any authority over the army. The only group to whom they could possibly appeal against army actions, the Palestinian population of West Jordan, has long been hostile to the political leadership in Amman. This leaves

only the Hiyari faction in the "Free Officers Movement" to oppose Nuwar.

Foreign intervention to support moderate elements does not appear likely. Britain, having been forced to accept the transformation of its officer corps commanding the Legion into a loosely organized mission with as yet undefined functions, is clearly on the defensive. Iraq does not appear to be in a much better situation in regard to Jordan. Iraqi intervention would be tagged immediately as operating on behalf of Western imperialism, and in any event, the Iraqi leaders are probably unwilling to move unless an indigenous Jordanian movement with some substance called for their support.

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Yugoslav Reaction  
To Developments in the USSR

The Yugoslavs regard the Soviet leadership's attack on Stalin as an outright condemnation of the earlier Soviet policy toward Yugoslavia and expect further broad changes in both Soviet internal and foreign policy. They are very pleased with Khrushchev's reported secret statement that the reason Stalin was not able to eliminate Tito was that "the entire country was behind Tito and his cause was a justified one."

Vice President Kardelj, number-two man in the Yugoslav regime, told Ambassador Riddleberger that while he had expected changes, he was "astounded" by the magnitude and tempo indicated by Khrushchev's condemnation. He, like other Yugoslav officials, said he had no

foreknowledge that Khrushchev would attack Stalin so strongly. The top Soviet leaders defended Stalin during their visit to Belgrade last May and blamed Beria for the sins the Yugoslavs were attributing to Stalin.

The Yugoslavs are convinced that the attack on Stalin was so strong that an attack on the entire Stalin system must inevitably follow. They believe that Khrushchev and Bulganin must have felt in a strong position to take this action in the face of what the Yugoslavs consider latent Stalinist opposition within Soviet ranks. They believe the Soviet leaders will introduce far-reaching internal changes and eventually will modify Soviet foreign policy.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

As evidence that such changes have begun, they cite their conviction that the USSR has rehabilitated 6,000 to 7,000 persons, that a Soviet commission is working on thousands of other cases with the same end in view, and that a number of "NKVD personnel" have been imprisoned. They believe that Khrushchev's speech forecast a large degree of "decentralization" of authority and reflects the beginning of the "democratization" of the Soviet system, with many changes to follow inevitably.

The Yugoslavs are interpreting these developments from a Communist rather than a Western point of view. For example, they have already hailed the recent "recommendations" by the Soviet government to the collective farms as further steps in "socialist democracy." The West has found little "democracy" here and instead views these decisions as aimed against kolkhoz members' private plots.

The Yugoslav leaders do not yet claim to see much of the new Soviet policy reflected in the Satellites. They believe the time is now propitious for a loosening of Soviet control, but are cautious when it comes to predicting when any real freedom might develop. They claim to see some liberalization of policy in Poland and Czechoslovakia, where the Yugoslav Communist Party has made contact with the Communist Parties, but admit to being puzzled by events in Hungary. However, one Yugoslav official stated his firm belief that one way or another Rakosi would have to go as he would be unable to survive in this new climate.

The Yugoslavs believe the USSR is sincere in desiring

improved relations with foreign "socialist" movements. They even claim that the Soviet Union is in the process of accepting "evolutionary socialism" for advanced countries--attainment of an eventual Marxist society without revolution or a Communist take-over of power--even though Mikoyan reiterated the Soviet condemnation of this at the 20th Congress as "fruitless" reformism.

The Yugoslavs feel that the West should take advantage of the opportunities presented by the 20th Congress for improving East-West relations. Without citing evidence, Yugoslav officials insist that the USSR is now willing to reach accommodations in such fields as East-West contacts, disarmament and trade.

Tito and his colleagues undoubtedly believe that they still have a missionary role in effecting further changes in the Sino-Soviet bloc, since they feel that the USSR has already adopted some Yugoslav ideas. Yugoslav optimism about changes in Moscow now appears sufficient to lead Tito to take greater chances in developing closer relations with the bloc, although there may be some moderation of this attitude if the pace of change, particularly in the Satellites, does not continue as the Yugoslavs hope.

The closer relations will probably be mainly bilateral, both on a country and a party basis, since the Yugoslav criticism of "bloc mentality" will continue to be directed at the Cominform and such organizations as the World Federation of Trade Unions as they are presently constituted.

Ambassador Riddleberger notes that the evolution of

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

Soviet policy will have to go a long way before Belgrade will weaken its ties with the West. The Yugoslavs continue to make efforts to keep the Balkan pact viable. They are maintaining their economic links with the West, seeking Western loans for industrial development, and continuing attempts to improve their relationship with European

organizations like CEEC. Yugoslav leaders claim that they are evaluating the Soviet changes cautiously and looking, as is the West, for deeds to match the Soviet words. They believe, however, that public expression of a "wait-and-see" attitude would serve no useful purpose and that the USSR needs encouragement in its new course.

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Mollet Government's Prospects

Many political observers, including the American embassy in Paris, believe that Premier Mollet's government can remain in power until autumn unless the French position in Algeria collapses.

Mollet's position would also be weakened, however, if the crisis gave evidence of being resolved in favor of French interests. Conflict on economic and social policy is already beginning to appear between the Socialist and Radical Socialist members of the coalition; and the right center, which has supported Mollet largely because of the emergency in North Africa, would then feel free to attack his policies.

Because of the reluctance to overthrow the government during the Algerian crisis, Mollet's policy has had the support of all the major parties except the Poujadists. His plan for a renewed military effort coupled with reform has met with general public favor, and Foreign Minister Pineau's "new-independent" foreign policy has also proved popular, despite some cautionary comment from the right center that maintenance of the Atlantic alliance must be the dominant consideration.

There are indications, however, that questions of economic and social policy are causing dissension within the cabinet. Mendes-France, whose supporters are increasingly restive over his being thrust into the background, is now reported in sharp disagreement with the premier over revision of the old-age pension fund. Mendes-France believes Mollet's program will have an inflationary effect and has reaffirmed his position that financial austerities are necessary to offset rising expenditures stemming from the Algerian crisis and increases in food prices caused by the severe winter.

Mollet's position is that promises of social reform must be kept to avoid losing the confidence of the workers. While the extension of paid vacations and reduction in wage-zone differentials have tended to quiet labor's demands, labor still expects a wage rise this spring. If the Communist-dominated General Labor Confederation decides to exploit this situation, labor disturbances may result with a consequent parliamentary crisis.

Rightist opposition to Mollet has been temporarily allayed by his relatively moderate economic policy under the

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

guidance of Finance Minister Ramadier who, although a Socialist, favors orthodox financial methods.

Marked deterioration of the French situation in Algeria would produce an immediate right-center reaction against Mollet. The

Poujadists, who are reportedly trying to maintain pressure on the government by developing veterans and youth organizations to press for all-out military suppression in Algeria, could be expected to lend their support to such a move.

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West German Rearmament Lagging

There seems little prospect that the West German arms build-up can be achieved in the three to four years planned. With national elections scheduled for the fall of 1957, political opposition to conscription seems to be growing, and there has been a definite shift in official interest from the military aspect of NATO to the development of a political and economic program to check Soviet expansion.

The needed constitutional amendments and the basic "Soldiers Law" have already passed parliament, leaving the conscription law as the remaining major obstacle to prompt rearmament. This law has been introduced into the Bundesrat, or upper house, which recommended on 24 March that the period of service for draftees be reduced from 18 to 12 months. NATO authorities consider this period insufficient for adequate military training.

Nevertheless, many prominent military experts in Chancellor Adenauer's party and in the opposition Free Democratic Party have already come out for the shorter period. The Social Democratic press has gone so far as to abandon its traditional opposition to professional armies and has joined those who advocate a volunteer

professional force rather than conscription prior to the 1957 elections. The Defense Ministry, however, estimates that conscription will be required by the spring of 1957 if West German rearmament is to keep to its present time schedule.

The Defense Ministry has still not developed firm plans for the establishment of Germany's armed forces. Closely related, time-phased plans are still incomplete for the acquisition of land, construction of installations, recruitment of personnel, training of units, and procurement of equipment. These shortcomings may cause delays in the over-all build-up which will be difficult to make up later. Such delays may also accentuate the financial and economic problems anticipated during the crucial third year of the build-up.

It appears politically impossible to secure any increase in the military budget until after next year's elections and equally impossible for financial reasons to double the budget in the following year to make up the resulting gap in expenditures. Although Adenauer has repeatedly stated that West Germany will rearm according to schedule, he now insists that more money must be spent for social reform

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

purposes than on rearmament in order to assure his party's victory in the 1957 elections. His Christian Democratic Union has in the past few days introduced bills in parliament calling for tax cuts and greater social benefits.

This government approach is paralleled by a public attitude increasingly skeptical of the utility of

conventional arms in an atomic age. West Germans, losing their fear that a Soviet military attack is likely, are coming to place less faith in trying to check the USSR by conventional military means than by economic development programs, particularly in the Middle East and other regions where German industrialists are anxious to establish a foothold. [ ]

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#### New Aircraft Industry for East Germany

East German party first secretary Walter Ulbricht announced on 24 March that East Germany had just assembled a civil transport aircraft which would be test-flown in a few days. Earlier reports had shown that the VEB Industriewerk in Dresden was assembling a CRATE (IL-14) two-engine, propeller-driven transport from parts received from the USSR. Parts for two other IL-14's have so far been received from the USSR.

In 1954, East Germany began to establish a complex in cities around Dresden as a nucleus for the new industry. Subassemblies and components for IL-14's will be produced at Dresden, Leipzig, and Schkeuditz, and engines at Karl Marx Stadt (Chemnitz). Final assembly will take place at Dresden-Klotzsche, where extensive plant construction is now under way. Series production of these aircraft, using components produced in East Germany, could begin in 1956. By 1958, the industry is to employ 15,000 workers.

Extensive research and development is being carried on at Pirna-Sonnenstein, concentrating on a jet transport. German engineers had worked on this project in the USSR. Ulbricht also told party members that a jet aircraft was being developed.

In 1952 and 1953, a complex centered in Dessau was being set up to manufacture the MIG-15. This project was abandoned, however, after the June riots in 1953.

Shortages of skilled personnel and high quality material must be overcome before any significant aircraft production can be achieved, but there is no reason why East Germany cannot have an industry comparable to that of Czechoslovakia, which now produces jet fighters. As the new military program for East Germany develops, the industry may move from transport to military types. [ ] Prepared by ORR)

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

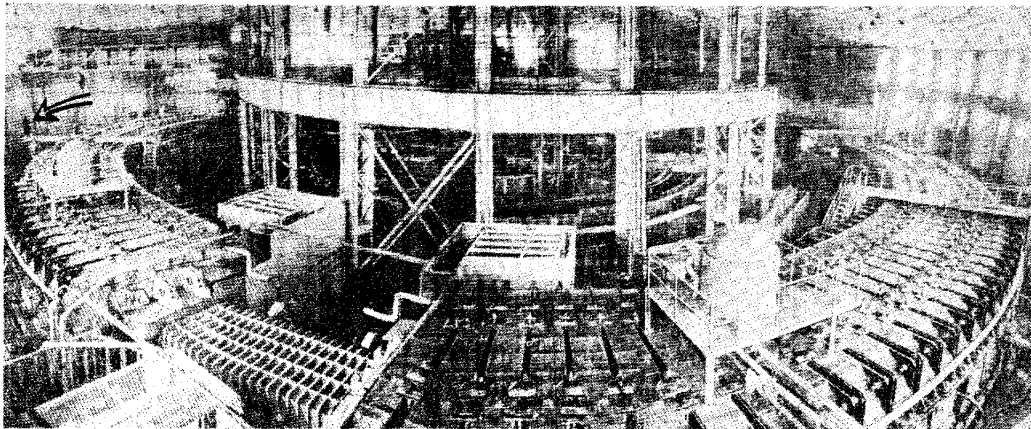
29 March 1956

**Sino-Soviet Bloc Sets Up Joint  
Nuclear Research Institute**

Political and scientific delegates from Albania, Bulgaria, Communist China, Czechoslovakia, East Germany, Hungary, Mongolia, North Korea, Poland, Rumania, and the Soviet Union met in Moscow from 20 to 26 March and organized a new Joint Nuclear Physics Research Institute.

Other research installations to be set up in the Joint Nuclear Research Institute include a laboratory of theoretical physics with a computing department and electronic computing machines, a laboratory of neutron physics with an experimental nuclear reactor, and an accelerator for

THE TEN BILLION ELECTRON-VOLT PROTON SYNCHROTRON NEARING COMPLETION IN THE USSR



183'  
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The Soviet Union has announced that it will make available for inclusion in the new institute two of its most important nuclear research facilities: the Institute of Nuclear Problems with its 680,000,000-electron-volt synchrocyclotron and the Electrophysical Laboratory, where the world's largest particle accelerator is now nearing completion. This is a ten-billion-electron-volt proton synchrotron with a magnet which weighs 36,000 tons and has an over-all diameter of 183 feet. When completed, it will permit Soviet bloc scientists to conduct experiments now impossible in the West.

the acceleration of multi-charged ions of various elements.

The announced purpose of the new institute is to increase the co-operation of the member countries in theoretical and experimental nuclear research in order to solve the most important problems of contemporary physics and expand the possibilities of peaceful application of nuclear energy.

The conference elected the noted Soviet nuclear physicist Professor D. I. Blokhintsev as director of the new institute and named Polish scientist Professor Marian Danysz and

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

19 March 1956

Czech scientist Professor Vaclov Votruba as deputy directors.

The conference immediately sent an invitation to North Vietnam, the one bloc country not represented, to join the new institute. It also gave

the director the responsibility for examining the question of inviting other states to take part in the work of the institute and to submit proposals to this effect to the governments of the member countries.

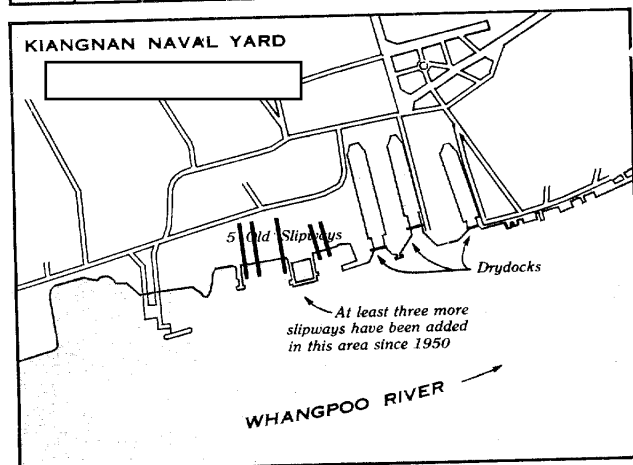
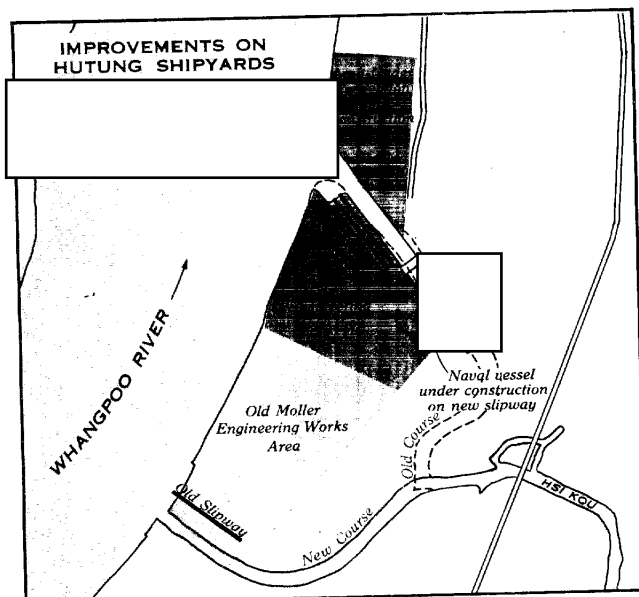
(Prepared jointly with OSI)

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### Shanghai Shipyards Building Naval Vessels

The naval construction program at Shanghai, undertaken with Soviet assistance and guidance, has involved at least

two shipyards--Kiangnan Naval Yard and Hutung Shipyard, formerly the Moller Engineering Works. Submarines may be under



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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

construction at Kiangnan; a destroyer-type vessel is reportedly being built at Hutung.

The construction has probably been directed by the Soviet shipbuilding advisers

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Kiangnan had been building large river and coastal commercial craft in 1954, and until early 1955. Preparations for major naval work probably began about April 1955.

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At least five slipways have been added; a creek bed has been diverted to create a new boat basin and possibly a 600-foot dry-dock; many new engineering shops have been added; and "thousands of coolies" are reported to be engaged in excavation and masonry work adjacent to the present facilities. (Prepared jointly with ORR)

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### Japanese Incensed By Soviet Fishing Restrictions

The announcement by the USSR on 21 March of a unilateral plan to restrict fishing in the seas north of Japan provoked an immediate adverse Japanese reaction. The Japanese consider the move a Soviet pressure tactic to force them to acquiesce to Moscow's terms

for a peace treaty. Tokyo's apparent determination not to consider treaty concessions until the USSR offered a new compromise on the territorial problem has been strengthened by the Soviet move. However, powerful fishing interests may still influence Tokyo to soften its stand.

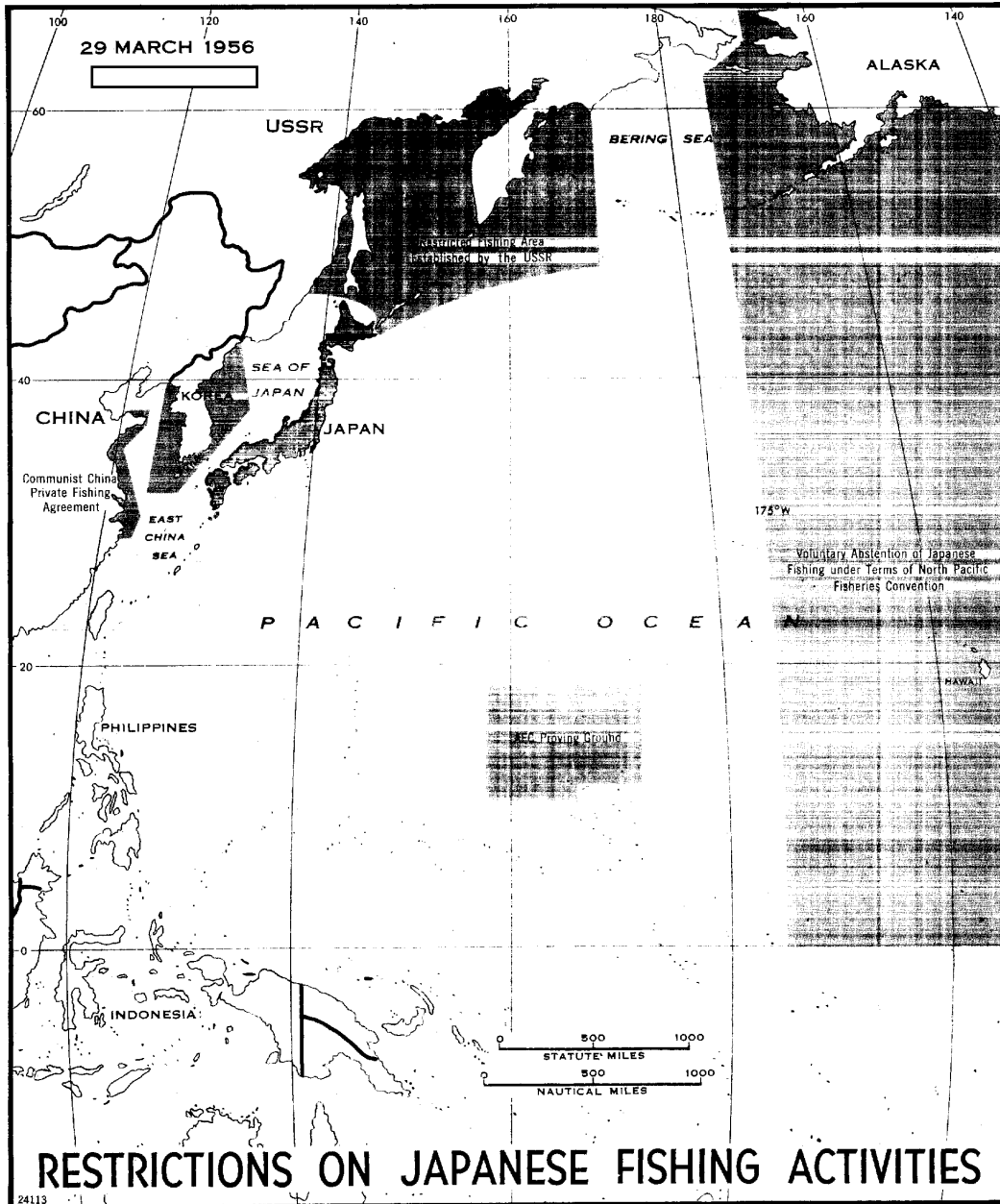
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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956



The Japanese were quick to note that the Soviet restrictions followed closely the indefinite suspension of the negotiations at London for a peace treaty. The Japanese press has criticized the Soviet action as "outrageous," "unwarranted," and contrary to

Soviet protestations of peaceful intentions.

Moscow intends to limit salmon fishing for the period 15 May to 15 September in an area which covers the Okhotsk Sea, the western part of the Bering Sea, and the northwest

**SECRET**

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

Pacific. The total catch will be restricted to 25,000,000 salmon, and fishing in the area will be permitted only under Soviet license.

The American embassy in Moscow believes the Soviet action is designed to create a bargaining asset for the USSR, which the Japanese are given two months to think over. The threat to Japanese interests is considerable since the fishing industry had plans to send 19 fishing fleets, five more than last year, to the area--which has traditionally provided 90 percent of Japan's salmon catch--and tentatively expected to take 100,000,000 salmon and trout.

The strong political connections of the Japanese fishing interests were evident in the prompt protest which Japanese chief negotiator Matsumoto made to Soviet ambassador Malik in London. Matsumoto called attention to the negotiators' previous agreement to avoid disputes over fishing in the open seas, and noted that the matter was one for international discussion. Malik said he had no authority

to discuss the problem and suggested the issue be taken up with the "Soviet embassy" in Tokyo. Matsumoto rejected this on the grounds the Soviet mission was not recognized by the Japanese government and therefore no matters could be officially discussed.

Tokyo has advanced the possibility that an interim agreement between the USSR and Japan on fishing in the affected waters could solve the present impasse. There is also a good possibility that should official efforts fail to produce a settlement, Japanese fishing interests will seek government permission to negotiate a private fisheries agreement similar to that with Communist China.

The Japanese have long been irritated by the restrictions imposed on their fishing activities, such as the Rhee line, the American nuclear tests, and Australian restrictions on pearl shelf fishing. They feel that the free world has not supported Japan adequately in its attempts to maintain its prewar fisheries grounds.

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South Vietnam

The dissolution of the French military high command in Indochina may be imminent. The unwillingness of the South Vietnamese legally to assume France's responsibility for the cease-fire agreement leaves undetermined the future administration of the armistice in Vietnam. India, as chairman of the three-nation International Control Commission, feels strongly that some agreed legal basis for the commission, which now acts under Geneva terms

signed by the French High Command in Indochina, must be arrived at before France relinquishes its present responsibilities.

While India has written off Vietnamese unification elections in July as "impossible," it is apparently willing to continue its truce role provided something can be "patched up." Britain, as one of the Geneva co-chairmen (the USSR is the other), is

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**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

particularly concerned. It faces discussion of the issue with the Soviet leaders during their mid-April visit to London.

The British are trying to persuade the Diem government to commit itself to practical compliance with the cease-fire agreement so a *modus vivendi* can be worked out with the Russians. They are asking that South Vietnam pledge its support of the concept of free elections to unify Vietnam at some future date, and of its intent to respect the truce and support the International Control Commission. In addition they are asking South Vietnam to declare it will neither join military alliances nor permit foreign bases on its territory.

Vietnamese-French negotiations in Saigon on the problem have bogged down in preliminary talks on military matters. Although both sides apparently are willing to give de facto co-operation to the armistice and the control commission, mutual suspicion and divergent views on side issues are resulting in an impasse similar to that which occurred in Paris last summer when negotiations on transfer of command never got off the ground.

Despite the scheduled complete withdrawal of French forces from Vietnam by 30 June at the request of South Vietnam, the Vietnamese would like to work out an arrangement whereby the French would retain sufficient resources to continue logistic support of the truce commission. However, the Vietnamese are hesitating to state clearly their position on this issue for fear the French will seek concessions in terms

of military installations or economic privileges in return for their assistance. Unless the Vietnamese make a counter-proposal, France intends publicly to abandon its legal responsibilities upon dissolution of its high command, presently scheduled for 28 April.

Although the Diem government would like to retain the International Control Commission indefinitely as a deterrent to Viet Minh aggression and has agreed to make a declaration expressing willingness to co-operate with and support this body, Diem's determination to avoid any implication of legal responsibility under the Geneva terms may result in a declaration less forthright than envisaged by the British, and possibly unsatisfactory to Communist and Indian eyes.

An indication of Communist views on this matter is revealed in the opinion expressed recently by the Polish truce commissioner implying that the only acceptable solutions would be for Diem to accept the full responsibilities of succession, for the Geneva powers to revise the original Geneva terms at a new conference, or for representatives of North and South Vietnam to meet in consultations.

Unless a suitable compromise is worked out in the forthcoming talks with the British, the Communists will undoubtedly renew their demands for a second Geneva conference, as proposed by Chou En-lai last January. To bolster its case, Britain is pressing the French to retain their high command in Indochina until 30 June.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

The Philippines

Highly critical attitudes toward American policies have recently been displayed in Philippine congressional, business, and press circles

to the American position regarding ownership of United States military bases in the islands, has been aroused by recent incidents involving mineral rights and jurisdiction over Philippine citizens residing on the bases. Specific exclusion of Guam, where many Filipinos are employed, from wage legislation now pending in the United States Congress is widely viewed in the Philippines as racial discrimination.

Much of the present anti-Americanism is undoubtedly stimulated by the sugar industry and tobacco interests. The sugar industry, long one of the most powerful pressure groups in the Philippines, has lately seen its advice on fiscal policy rejected by the president and thus has its own motive for attacking his pro-American policies. It has publicized reports that the American Congress intends to reduce the quota for Philippine sugar if Manila reduces its imports of American tobacco, and has claimed that the Philippines was discriminated against in the recent increases of the American sugar quotas.

These charges have been accompanied by criticism of alleged "strings" attached to American aid and of "meddling" American advisers, who are said to seek to perpetuate a colonial economic relationship. The majority leader of the Philippine House of Representatives recently charged that American policies had created "economic chaos" in the country.

At the same time, Philippine nationalism, long sensitive

The anti-American pronouncements of certain Filipino politicians have in the past notably failed to influence the Philippine masses. Senator Recto's ultranationalistic campaign proved relatively unsuccessful in last November's election, but it probably abetted an already growing nationalism among politically aware Filipinos. Recto's attacks on the wisdom of close ties with the United States undoubtedly helped to foster the receptiveness with which Cambodian premier Sihanouk's recent speech defending neutralism was greeted in the Philippine congress.

Most Philippine leaders are fully aware of their economic and military dependence on the United States, but are increasingly inclined to believe that their dependence is taken for granted. There appears to be a growing feeling that threats rather than friendship will bring them the benefits

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

to which they feel their close relationship entitles them. In this connection, they fre-

quently cite the substantial American aid extended to neutrals or to Japan, a former enemy. [ ]

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Growing Tension in Bolivia

The Bolivian government's declaration of a general alert in early March indicates its increasing concern over reports that exile groups, aided by dissidents in the army, are planning a coup. The government can probably contain any revolutionary attempts by the poorly organized opposition so long as the ruling party--the Nationalist Revolutionary Movement (MNR)--itself remains intact.

The revolutionary group is probably spearheaded by the Coalition of Anti-Communist Parties, organized in Chile in March 1954 for the purpose of overthrowing the MNR, and including representatives of all dissident groups in Bolivia except the Communist Party and an equally strong Trotskyite party. The dominant group in the coalition, which has termed the MNR "terroristic" and "Communist," is the extreme rightist Bolivian Socialist Falange.

The coalition can probably count on support among elements of the army, which was defeated by the MNR in the revolution of April 1952 and has since been partially replaced by the armed workers militia. The coalition is, however, by no means united.

The approach of the presidential and congressional elections, reportedly scheduled for 3 June, may be a factor stimulating the prorevolutionary groups. The MNR is the only party which has so far named candidates for president and vice president, and President Paz Estenssoro is reported to have said that the opposition

parties would probably receive only about 10 percent of the vote. He attributes the preparations for a coup to an opposition desire to bloc the elections so as to avoid being discredited.

The approach of the elections may also stimulate considerable jockeying for position among the various factions of the MNR. Hitherto the various factions have been kept in line by the generally moderate Paz, but Paz has announced his retirement from active politics with the end of his presidential term.

His successor as the strong man of the party will be Juan Lechin, head of the powerful workers confederation but holder of no government office, whose political opinions are unknown. Since many of the MNR's leaders are Marxist oriented, despite the party's consistently anti-Communist position, opposition groups may be counting on splits developing in the MNR with Paz' approaching retirement.

Another factor making for instability is the new inflationary spiral, set off by the 25 February wage decree, which has caused much unrest among various groups throughout the country. Some army elements have openly expressed their displeasure with their low pay and lack of prestige. The teachers, always a potent political force in Bolivia, are making new salary demands. Railroad workers and some of the miners, one of the strongest groups supporting the MNR, are in a state of agitation. [ ]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

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THE TREND AWAY FROM ARMS STANDARDIZATION IN LATIN AMERICA

The progress of arms standardization in Latin America, long an important policy objective of the United States, has been seriously challenged in recent years by substantial Latin American purchases of military equipment from Western Europe. In recent months, the Soviet bloc has attempted to exploit the Latin American arms market as one facet of its intensified activities in the area.

Deterrents to Standardization

Lack of money: Standardization of Latin American arms on US models is a logical corollary to hemisphere defense plans. A basic deterrent, however, is the financial inability of most countries in the area to lay out sufficient dollar exchange to replace quickly their accumulation of non-US materiel, some of which dates back almost a century and reflects years of German, Italian and other Western European influence. Also, the almost chronic political instability

in these countries and the frequent use of the armed forces as an instrument in politics have to some extent encouraged governments and opposition elements to acquire arms wherever, whenever and however they can.

Modernization preferred: Modern equipment is desired by these countries, and there apparently is a general feeling among Latin American leaders that modernization is more important than standardization. They consider themselves threatened principally by proximity of potentially hostile countries and internal revolutions. Most of them probably do not see the Soviet threat as imminent, and feel that even in the event of war, their role in hemispheric defense would of necessity be limited. Thus modernization with its attendant effect on service morale and favorable propaganda effects on local and national prestige is often a deciding factor in new military purchases.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

Barter arrangement: Particularly attractive to the Latin American countries are barter arrangements by which their surplus raw materials can be exchanged for military equipment. Brazil's exchange of 15,000 tons of cotton for British jets in 1953 is an example of this type of transaction.

Chile has in the past reportedly bartered minerals for British jet planes. Argentina is currently reported interested in the purchase of modern aircraft from non-US sources in view of the low prices, long terms of payment and barter possibilities. Latin American countries are particularly desirous of obtaining jet aircraft, although jets, in the opinion of US experts, are generally too high-priced and hard to maintain for most of these countries, and are also not so well suited to hemispheric defense needs as conventional-type equipment.

Return to European sources: The return in recent years to the European arms sources which supplied much of the area's military needs before World War II has been prompted by promotion efforts of European officials and industrialists offering favorable credit terms and by an inability of Latin American countries to obtain desired American materiel, which they probably would prefer. Some dissatisfaction with the type of equipment available from the US under the MDAP program is a contributing factor.

Aircraft From Europe

Argentina, Brazil, Venezuela and the Dominican Republic have been the largest buyers of European aircraft, but several other countries are also making purchases abroad. Their purchases reflect interest primarily in jet aircraft.

Argentina: Argentina in 1947 purchased a considerable number of European aircraft, including 100 British Gloster Meteors, 30 Avro Lincoln bombers, and 45 G-55 Fiat fighters. By 1949 it had acquired additional aircraft, including 15 Lancaster bombers, 50 Dove (De Haviland) transports, and 100 Percival Prentice trainers. Recently, Argentina purchased 10 Viking transports from Britain and light aircraft and helicopters from France. About 45 percent of Argentina's piston aircraft is of non-US make.

Brazil: Brazil, whose air force had been equipped only with American planes, acquired 60 Meteor MK VIII and 10 Meteor MK VII jet fighter aircraft and trainers from Britain in 1952. No recent non-US acquisitions, however, have been reported.

Venezuela: Venezuela, which does not have a dollar shortage, contracted in July 1955 for 22 Venom (De Haviland) jet fighters from Britain to use deposits which had been made on Comets. Prior to 1954, this country acquired from Britain 17 Vampire MK 5 (De Haviland) jet fighters, six Canberra jet light bombers, and one Vampire DH-115 jet trainer. With the addition of 22 American F-86's, however, the percentage of British equipment in the Venezuelan air force will remain about 30 percent.

Dominican Republic: The Dominican Republic, which had purchased 15 British aircraft in 1948 and American F-51's from Sweden in 1953, has received 10 of 25 Vampire jets purchased in Sweden in late 1955.

Peru: The breakdown of standardization in Peru was signaled by the recent arrival of the first of 16 Hunter (Hawker) supersonic jet fighters

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

aircraft bought from Britain. An order has been placed for eight Canberra jet bombers, Mark VIII. Only two of Peru's piston aircraft are of non-US make.

Ecuador: Ecuador took delivery in 1955 of 12 Meteor MK VIII jet aircraft and six Canberra jet bombers from Britain. Negotiations were completed in early 1956 for the purchase by Colombia of six Canadian-built F-86 aircraft.

Uruguay and Nicaragua: Uruguay acquired in December 1954 10 Chipmunk (De Havilland) trainers from Britain and reportedly is expecting the delivery of six more. Nicaragua has been rumored several times in the past year to be considering the purchase of jet aircraft from Europe.

Officers and enlisted men of the air forces of those countries which have purchased foreign aircraft have received flight and maintenance training either in Europe or in their respective countries by various missions.

Naval Equipment from Europe

The trend away from standardization along US naval lines, begun in 1950, has also become more pronounced.

Venezuela received three British destroyers in 1954 and early 1956, and contracts call for six Italian coastal destroyers and a 3,000-ton French transport. The country's naval chief is reported seeking additional equipment in the UK.

Brazil: Brazil has contracted for 10 Dutch escorts and four Japanese transports.

Twenty-eight LCVP Japanese landing craft and six small Dutch patrol craft were delivered to this country in 1955.

Argentina: Argentina has expressed interest in acquiring an American aircraft carrier or a carrier from any other source. Since 1950, Argentina has obtained an oiler from Britain, six transports from Italy and Canada, and a German icebreaker.

Colombia: Colombia obtained a light cargo ship from the Netherlands in 1951 and a buoy tender from Sweden in 1955. Two Holland-class destroyers from Sweden will reportedly be delivered in 1957.

Ecuador and Chile: Ecuador has taken delivery of two British Hunt-class destroyers. Chile has ordered two British destroyers, an icebreaker from West Germany and a French oiler.

Army Materiel from Europe

With the exception of Venezuela, the American republics have purchased comparatively little non-US army materiel. Venezuela purchased 40 French tanks in 1954, making its automotive equipment about 30 percent European. Argentina in the immediate postwar period purchased British tanks, Bren gun carriers, Canadian trucks and Swedish Bofors (40-mm AA). Guatemala is relying almost exclusively for its individual and crew-served weapons on equipment received in the famous Alfhem shipment from Poland in May 1954. Peru, Colombia, Brazil and El Salvador have purchased smaller quantities of arms and ammunition from Europe.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

Soviet Bloc Activity

While the major portion of non-US standard materiel purchased by these countries has been European air and naval equipment, there are definite signs that the Soviet bloc is attempting to exploit the Latin American arms market as part of its current offensive to expand ties with the area. Thus far, however, bloc activity in this field has apparently been focused mainly on Argentina and Ecuador, although Czechoslovakia reportedly has offered military equipment to other countries, including Brazil. The bloc may well attempt to barter arms with Latin American countries having surpluses of agricultural commodities.

Argentina: Argentina purchased in February Czech five-passenger Aero-45's, the first sale of aircraft by Czechoslovakia in Latin America since the war. The purchase followed a renewal of conversations between the two countries regarding the purchase of Czech arms at prices reported considerably lower than those offered by Britain and the United States.

The sale could be the prelude to negotiations for further acquisitions from the bloc, particularly since Argentina seems anxious to obtain jet aircraft for its surplus raw materials. The USSR reportedly has offered to sell FAGOTS (MIG-15's)

and "heavy" bombers to Argentina under terms described as very attractive, although the "heavy" bombers would more likely be IL-28's, a light jet bomber which the USSR is selling to Egypt. In mid-February an Argentine air force official denied this report, stating he believed the USSR had spread the story to test Argentine reaction but would make an offer within 90 days. On 29 February, the American air attaché in Buenos Aires reported that Soviet MIG's had been included among recent offers and are among those planes being considered for purchase by Argentina.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

ICELAND'S GROWING DEPENDENCE ON SOVIET BLOC TRADE

During the past three years Iceland's foreign trade has been increasingly oriented toward the Soviet bloc, and in 1955, the USSR replaced the United States as Iceland's leading market. Political repercussions of these developments may begin to appear in the upcoming parliamentary elections, which will involve such issues as the island's growing economic difficulties and the status of the American-manned NATO air base at Keflavik--Iceland's chief source of dollar income.

Exports to the Bloc

Iceland's rising exports to the Soviet bloc, which multiplied fivefold between 1952 and 1955, derive mainly from Iceland's increasing marketing difficulties in the free world. During this same period Iceland's exports to the United States, for example, fell over 50 percent.

The high cost of Iceland's fish and fish products, which comprise over 95 percent of the country's exports, has for some time put Iceland at a disadvantage in its principal free world markets--the United States, Britain and various countries of the European continent. In 1952, moreover, British commercial interests closed the United Kingdom market to Icelandic fresh fish in retaliation for Iceland's unilateral extension of its territorial waters and exclusion of British fishing boats from these waters. This was a serious blow to Iceland's trade since in 1951 British purchases of fresh fish amounted to \$4,600,000.

Iceland met its loss of trade with Britain partly by expanding its frozen fish industry to absorb the unsold fresh fish and partly by seeking

new markets elsewhere, including the Soviet bloc. Soviet purchases of frozen fish markedly increased, reaching a total of 24,000 tons in 1955, by which time the USSR had replaced the United States as the largest single purchaser of Icelandic goods. In that year, also, Czechoslovakia and East Germany together purchased an additional 8,700 tons.

The USSR has recently agreed to accept 8,000 tons more than the 20,000 already specified in its 1956 trade agreement with Iceland. The new agreement also provides for purchases of 15,000 tons of salted herring, a 50-percent increase over 1954.

The settlement of the territorial waters dispute with Britain, which may be postponed because of Iceland's upcoming elections, would bring little immediate change in the island's general export pattern: it would take some time for Iceland to re-establish itself in the fresh-fish market; furthermore, Iceland has invested in additional freezing units to handle the fish previously sold fresh.

Imports from the Bloc

To obtain payment for these exports, Iceland has simultaneously expanded its imports from the bloc, which now provide more than 22 percent of Iceland's total. Imports from the USSR are still substantially exceeded by those from the United States, but in certain basic products the bloc has now become Iceland's principal supplier. In 1955, Iceland received over two thirds of its petroleum imports from the USSR and over 75 percent of its coal and coke requirements from Poland.

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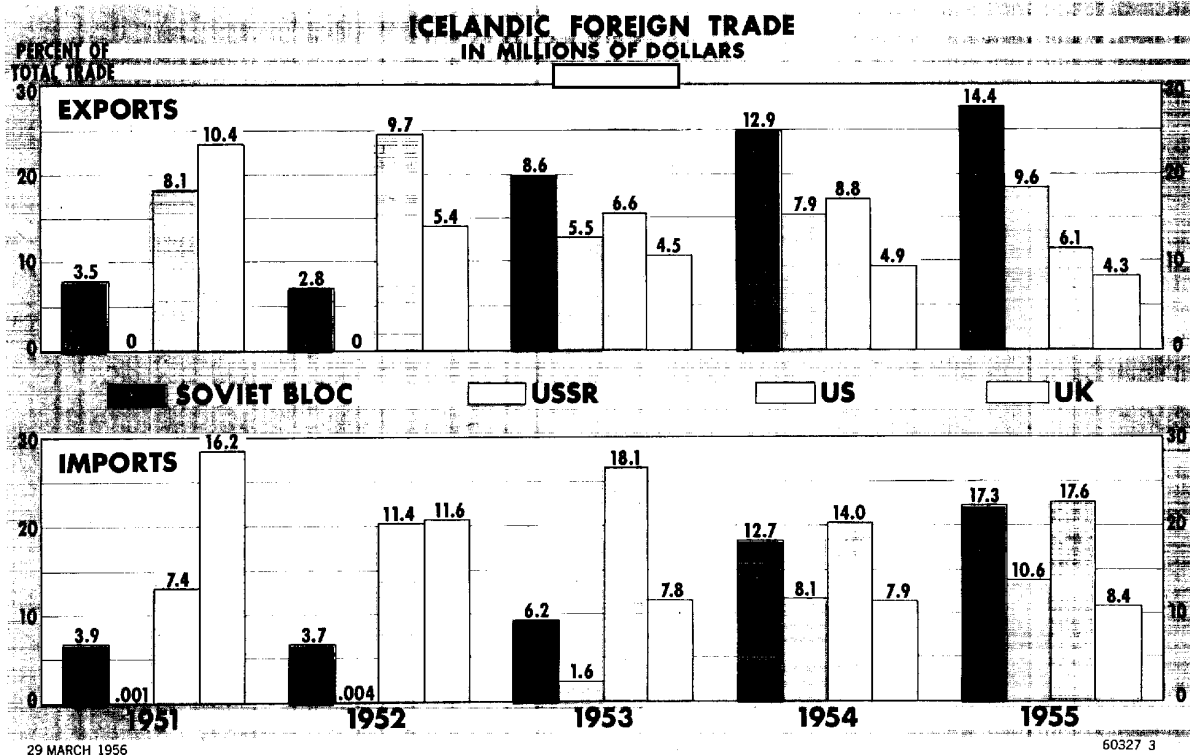
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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

Moreover, the 1956 Soviet-Icelandic trade agreement provides for an increase in fuel oil, diesel oil and gasoline deliveries to Iceland from 237,000 metric tons in 1955 to 270,000 metric tons this year. There are widespread rumors that the Russians have offered credits equivalent to over \$6,000,000 to finance the establishment of an oil distribution system in Iceland. This

transformer stations at a cost of \$1,600,000 payable over five years in fish and fish products. According to the American embassy at Reykjavik, Iceland's political leaders would be under strong pressure to accept a loan from any bloc country that offered to help construct a projected new Sog River plant, urgently needed by 1958 to avert a power shortage in Reykjavik.



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could mean the elimination of Western distribution companies.

The new agreement also provides for Iceland's import of increased quantities of iron goods and coal, and it includes lumber (8,500 standards) and 50,000 tons of cement. Imports of Soviet cement should cease, however, after the completion of a domestic plant being financed by Denmark with

The Icelandic State Electrical Authority has stated that domestic funds can provide only about 15-20 percent of the \$7,300,000 the project requires.

Political Repercussions

Many Icelanders are disturbed by this growing dependence on the Soviet bloc, remembering that in 1948 the Russians abruptly terminated

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

ambassador Muccio recently reported that unless alternative markets were cultivated, this economic dependence might continue to increase and in the long run might bring ominous political developments.

The bloc trade drive has been conducted with considerable promotional activity, including an elaborate trade exhibit in Reykjavik last summer. It has been accompanied by an extensive cultural exchange program which has had a positive effect among Icelanders, many of whom are convinced that easing world tensions have made close ties with the United States less necessary.

The trade situation will undoubtedly be injected into the parliamentary elections to be held the last Sunday in June. One measure likely to be urged by Iceland's sizable group of pro-Communists is still greater reliance on trade with the bloc, as an

alternative to devaluation of the currency.

The American-manned and-constructed NATO base at Keflavik will also be a leading, if not the most important, election issue. The base has for some time been widely unpopular on nationalistic grounds. However, last year the \$13,500,000 brought in by the base more than counterbalanced Iceland's visible trade deficit of \$11,500,000 with the United States.

In fact, most Icelandic leaders probably do not wish to liquidate the base but only to achieve the withdrawal of American troops. In this manner, Iceland would still, it is hoped, continue to receive substantial dollar revenues for maintaining and guarding the base installations. Nevertheless, the growing bloc trade has put Iceland's Communists in a position to argue that the country now has an attractive economic alternative to its ties with the United States. [REDACTED]

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[REDACTED] (Concurred in by ORR)

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INCREASED AUTHORITY OF SOVIET MILITARY COMMANDERS

The USSR has revised its approach to maintaining the political reliability of officers and men in the armed forces in the last few years. The authority of the Soviet commander always has been subject to political control, varying in intensity as primary emphasis shifted to either political reliability or military effectiveness.

In contrast with the parallel system of counterintelligence controls [REDACTED]

[REDACTED] which are designed to check on and prevent

antiregime activity in the military establishment, the political indoctrination system is a positive conditioning influence aimed primarily at instilling sound Communist precepts in the minds of officers and men in the armed services.

As indoctrination with approved Communist political theories has spread, and as the demands of modern warfare for combat efficiency have increased, unit commanders have been given greater authority and the influence of political officers

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

assigned to military units has declined. Defense Minister Zhukov, recently elected candidate member of the party presidium, has long been an outspoken advocate of this policy of encouraging professionalism in the armed services. Morale and combat efficiency have improved under this system, which will presumably last as long as the Communist Party continues to have confidence in the political reliability of the armed forces.

The changed situation has been shown in the selection of officers with purely professional military experience rather than political officers as military representatives on the newly elected central committee. Recent promotions in the armed services seem also to have favored competent professional officers, whereas under Stalin political officers often rose to high rank more rapidly.

History of Political Control

When the Red Army was formed in 1918, command and combat authority were divided between the political commissar and the military officer, many of whom were ex-Czarist officers. The obvious deficiencies in military operations during the civil war led to the introduction of limited one-man control of army units in 1925. The alleged uncovering of the military conspiracy of Tukachevski brought the reintroduction of the commissar system in 1937. The commissar was given equal authority with the commander; he countersigned all orders and supervised all disciplinary measures. This dualism of command was held primarily responsible for the Finnish debacle and it led prominent military officers to speak out publicly against the system.

In August 1940 the commissar was replaced by the

political deputy, subordinate in military matters to the military commander but in political matters answerable only to the Main Political Administration--an organ of the Defense Ministry and, more significantly, of the Communist Party central committee.

In July 1941, however, less than a month after the German attack, the commissar system was reintroduced as a direct result of widespread desertions and low morale in the Soviet army. Commissars were assigned to all units, with responsibilities equal to military commanders, and with orders to shoot any commander who showed signs of defeatism or cowardice. The commissar's authority far exceeded that of line officers of equal rank.

Within 15 months military considerations overrode political demands; the serious Soviet military reverses during the summer of 1942 were followed by the abolition of the commissar system. Former commissars, reduced to political deputies, no longer had any control over military decisions, but as informers they could jeopardize the position of the military commander, affect his promotion or demotion, and exert an indirect military control through him.

Recent Changes

There are some indications that the political deputies are being removed from echelons lower than regiment. Recent changes give the company commander primary responsibility for political/military training, including morale, discipline and combat readiness. In carrying out these duties he has the assistance of the platoon leader and the party group.

Since the fall of 1955, political study groups have

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

29 March 1956

been formed on the platoon level and platoon leaders made responsible for political as well as military training of their units. Under a party structure reorganization of 1954, a company party group, consisting of three to five party members, supports the commander in his political training duties and receives assignments from him.

A system for voluntary individual study of party matters has been introduced, replacing the seminar-lecture method of the political officer. A majority of Soviet officers are engaged in this program, and among the enlisted men, it has been expanded to the point where one third of all their political training will be accomplished in this manner.

Status of Political Officers

With the increased authority of the unit commander, the prestige of the political officers has diminished. In the central committee elected in 1939, 19 percent of the military representatives came from the political organs of the Soviet armed forces. This percentage fell to 16 in 1941, to 7.6 in 1952, and to zero in the central committee elected in February. Officer promotions also reveal the reduced stature of the political officer. Since Stalin's death, 43 professional military officers have been promoted to colonel general or above but no high-ranking political officers were promoted to such rank during this period.

The reduced influence of the political officer may be offset to some extent, however, by the fact that a majority of the commanders are party members as well as the possible increase in party membership among the lower ranks, particularly among the platoon leaders. Approximately 15 percent of the armed

forces are either full or candidate members of the party, judging by the number of military delegates sent to the recent party congress. Membership in the armed forces would thus represent about 8 percent of the total Communist Party membership in the USSR.

Continued Friction

Although the authority of the commander has recently been strengthened, there are hints of the old rivalry between the military and political officers. It is in the differentiation between military and political matters that the greatest area of disagreement arises. The military considers morale and discipline strictly military matters which cannot be separated from combat efficiency and combat readiness, and for this reason has always maintained that authority cannot be shared.

A Red Star editorial of July 1954 reported: "The commander is the full master of his ship or unit and he must not be afraid to take responsibility for his decisions. At the same time, he would not go to the other extreme and consider the advice of his chief of staff or deputy for political affairs, for example, as an infringement on his authority. The further strengthening of the singleness of command places difficult problems before the political deputies. They must guard the commander's authority...."

Defense Minister Zhukov in addressing the Moscow Military District party conference in January 1956 condemned criticism of commanders at party meetings, and said, "Our task is to strengthen the authority of the commanders in every way and to support commanding officers and generals." [REDACTED]

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